

Message Text

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ACTION ARA-10

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E.O. 11652: N/A

TAGS: EINV, EFIN, AR

SUBJECT: FOREIGN INVESTMENT LAW AND SITUATION

REF: BA-9040

1. MARCH 26, GOA IMPLEMENTED DECREE 777 EXTENDING UNTIL JANUARY 1, 1976 DATE BY WHICH SECRETARY OF PROGRAMMING AND COORDINATION MUST FORMALLY APPROVE FOREIGN INVESTMENT REGISTRATIONS. EMBOFF DISCUSSED SITUATION WITH RENE BLONDEAU, DIRECTOR, OFFICE OF INVESTMENT REGISTRATION, MINISTRY OF ECONOMY. FOLLOWING ARE POINTS OF INTEREST WHICH COVERED IN CONVERSATION.

2. A CENTRAL BANK CIRCULAR OF SEPT. 4, 1974 (WE FORWARDING COPY DEPT.) CLASSIFIES APPROXIMATELY 1550 COMPANIES AS FOREIGN ENTITIES DOMICILED IN ARGENTINA. BLONDEAU CONFIRMED NONE HAD OPTED TO REGISTER UNDER NEW FOREIGN INVESTMENT LAW. IN BLONDEAU'S OPINION, ARTICLE 14 OF REGULATORY DECREE HAD BEEN PRIMARY FACTOR CAUSING FOREIGN INVESTORS NOT TO OPT FOR NEW LAW. (ARTICLE 14 ENABLES GOVERNMENT, AFTER FOUR YEARS, TO INITIATE PROGRAM FOR TRANSFORMATION OF
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FOREIGN COMPANY INTO COMPANY WITH MIXED OR NATIONAL

CAPITAL.)

3. EMBOFF ASKED BLONDEAU ABOUT EXTENSION AND DIFFICULTIES ENCOUNTERED IN EVALUATION OF REPATRIABLE CAPITAL. HE ADMITTED CAPITAL EVALUATION THUS FAR ONLY COMPLETED FOR A FEW COMPANIES, BUT EXPECTED WORK ON 150 ADDITIONAL ENTITIES TO BE COMPLETED WITHIN NEXT FEW MONTHS. EVALUATION ESSO'S CAPITAL CURRENTLY UNDER REVIEW. HE SAID FIRST PRIORITY BEING GIVEN TO EVALUATION OF COMPANIES WHICH HAVE PROFIT REMITTANCE REQUESTS PENDING WITH CENTRAL BANK.

4. EMBOFF ASKED BLONDEAU HOW GOA WOULD LEVY PROFIT REMITTANCE TAX IN 1975 IF WORK ON EVALUATION OF REPATRIABLE CAPITAL STILL IN PROGRESS. (ARTICLE 20 OF FOREIGN INVESTMENT LAW PROVIDES FOR GRADUATED TAX ON PROFIT TRANSFERS BASED ON THEIR PERCENTAGE OF TOTAL REPATRIABLE CAPITAL.) BLONDEAU SAID IBM RECENTLY REQUESTED, AND RECEIVED, GOA PERMISSION TO REMIT PROFITS PAYING MAXIMUM 40 PERCENT TAX AND ADJUSTING LATER. HE THOUGHT OTHER COMPANIES COULD DO SAME.

5. EMBOFF THEN PROBED BLONDEAU FOR COMMENT ON POSSIBLE GOA "FLEXIBILIZATION" OF FOREIGN INVESTMENT REGIME. HE WAS CAUTIOUS, BUT EMPHASIZED GOA CONSIDERING WAYS TO MAKE FOREIGN INVESTMENT REGIME MORE ATTRACTIVE. HE CONFIRMED THIS POINT INCLUDED IN STATE OF ECONOMY DOCUMENT WHICH MINISTER GOMEZ MORALES WOULD BE PRESENTING TO PRESIDENT PERON, BUT SAID HE COULDN'T GIVE MORE DETAILS NOW.

6. US EMBASSY WISHED COOPERATE WITH GOA, EMBOFF POINTED OUT, BY KEEPING WASHINGTON INFORMED ON FLEXIBILIZATION OF INVESTMENT REGIME SINCE THIS COULD HAVE POSITIVE IMPACT ON FOREIGN INVESTMENT WHICH GOA SEEKING. BLONDEAU RESPONDED TO THIS SAYING HE WOULD WELCOME EMBASSY COMMENTS ON POINTS IN FOREIGN INVESTMENT LAW US COMPANIES FIND LIMITED OFFICIAL USE

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MOST DIFFICULT. FOR EXAMPLE, BLONDEAU SAID HE KNEW FOREIGN INVESTORS WERE TROUBLED ESPECIALLY BY ARTICLE 4 AND ARTICLE 15 OF LAW. (ARTICLE 4 REQUIRES CONGRESSIONAL APPROVAL FOR NEW FOREIGN INVESTMENT CLASSIFIED AS COMPANIES WITH FOREIGN CAPITAL. ARTICLE 15 STIPULATES PROFITS IN EXCESS OF MAXIMUM TRANSFERABLE REMAIN DEFINITELY INVESTED IN COUNTRY AS LOCAL CAPITAL.)

7. COMMENT: BLONDEAU WAS SOMEWHAT ON DEFENSIVE REGARDING OPERATIONS OF HIS OFFICE WHICH, HAVE BEEN HEAVILY CRITICIZED. BLONDEAU HIMSELF APPEARED GENUINELY CONCERNED ABOUT RESOLVING INVESTMENT PROBLEMS, AND WAS OPENLY INVITING FURTHER EMBASSY CONTACT. EMBASSY BELIEVES IT WOULD BE USEFUL TO REVIEW SITUATION WITH BLONDEAU AGAIN IN ABOUT A MONTH. MEANWHILE, WE WILL CONTINUE CONTACT WITH US COMPANIES SEEKING THEIR SPECIFIC PROBLEMS WITH INVESTMENT LAW.

8. ACTION REQUESTED: WASHINGTON COMMENTS ON SPECIFIC NEGATIVE FEATURES OF INVESTMENT LAW AND REGIME WOULD BE USEFUL FOR POSSIBLE FURTHER MEETING WITH BLONDEAU.
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